WORLD BANK NEWS

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PUBLICATIONS

# Making Polluters Pay in East Asia

East Asia is the development success story of the last quarter century, but the countries in the region now face severe environmental problems—from industrial pollution to deforestation to poor sanitation—that could well erode East Asia's gains if left unchecked.

To address the region's growing environmental concerns, a new World Bank report, *East Asia's Environment: Principles and Priorities for Action*, recommends that East Asian governments enact policies that will make polluters pay for their environmental damage through taxes, prices and tradable "pollution permits." Such market-based approaches can fight environmental damage by making it too expensive to pollute and by generating new revenues.

"It is not sufficient to enact cosmetic changes in environmental standards," the report says, nor is it "realistic to ignore growing needs for energy and urban services." Therefore, environmental policies should be integrated in general economic policies to achieve the goals of both environmental protection and economic growth. "Environmental problems require attention because markets alone cannot be relied on to reduce excessive damage to the environment," the report says. "The costs to society that come from pollution and the degradation of natural resources are not automatically taken into account in the decision of businesses, governments and individuals."

Sea sore.

Arguing that slowing economic growth is not the solution to environmental damage, and that environmental costs should be incorporated into private and public policy decisions, the report suggests that governments can play a crucial role in defining how these costs are incorporated, without repeating past mistakes of relying on inefficient regulations.

The Bank recommends that prices, taxes and permits be combined with private sector incentives—such as enforceable prop-

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PUBLICATIONS

# Markets Likely to Restrain Oil Prices

Global demand for crude oil will increase moderately over the next 15 years and prices are not likely to increase substantially despite of possible temporary hikes caused by instability in the Gulf region, according to a new World Bank report.

Oil demand is projected to increase by 1.6 percent a year to 87.9 million barrels a day in 2010 from 69.1 mb/d last year, according to *Review and Outlook of the World Oil Market*. And the study expects prices to remain "volatile and unstable, although more stable than in the early 1980s, when oil prices were far too high to be sustained."

The reasons for the relative stability of the oil markets, as projected over the forecast period, are many and derive from the significant changes that have occurred in the last 20 years: developments of futures, forward and derivative markets have contributed to a more efficient and competitive field; after previous price shocks, and thanks in part to alternative energies, oil demand has grown at a much slower pace; new technologies have lowered supply costs; and last but most significant, production has expanded at unexpected levels outside OPEC, sharply reducing its dominance on the market.

"Prices today are artificially high and even if OPEC does increase prices, it could not sustain them for long because market pressures will come to bear, as they did in the 1980s," says the report's author, economist Shane Streifel. "Economic forces would ultimately prevail and prices would return to previous levels."

Most forecasters in the past, including the Bank, significantly underestimated the potential output of non-OPEC countries, partly because of conservative estimates on supplies that were subsequently discovered. The study does expect OPEC to boost production in an attempt to catch up with the competition (presently, OPEC produces only 27.1 mb/d of the total 69.1 mb/d) but by the year 2010, total non-OPEC produc-

*See* **OIL**, *page 6*

COMMODITY REPORT

# Commodities Dip Slightly in Second Quarter

Commodity prices declined moderately in the second quarter of 1995, as sharper drops in the prices of most agricultural commodities were partially offset by increases in other sectors, according to the August edition *of Commodity Markets and the Developing Countries*, the World Bank's quarterly review of commodity price data (see pages 4 and 5).

The World Bank index of nonfuel primary commodity prices averaged 1.7 percent lower than in the previous quarter. Crude petroleum prices (not included in the nonfuel index) averaged 5.6 percent higher than during the first quarter.

The buoyancy of most agricultural commodity prices seems to be over for the near-term. Some commodities, such as grains, saw rising prices this quarter because of low world stock levels, rising import demand and growing conditions that threaten lower yields. Other rising commodities, such as cotton, appear to have peaked as supplies mounted and higher prices have moderated consumption.

Many food prices weakened seasonally over the last three months, but an increase of 5.2 percent in grain prices held the food average decline to 0.7 percent. Tea prices fell 5 percent in response to stagnant demand and high production in Kenya and Sri Lanka. Mild coffee prices fell 4.2 percent on lower consumption by major importers and uncertainty about stock retention results. Fats and oils prices slipped 3 percent. The soybean market is slightly bullish thanks to climbing maize prices, which should boost demand for soybean meal. But rising supplies of vegetable oils will depress soybean oil prices. Sugar prices rallied in recent weeks, but the fundamentals are not very bullish. Production is expected to be high, and stocks are likely to increase after five years of decline.

Average prices of agricultural raw materials rose a modest 0.3 percent. Although cotton trading for near-term delivery was stalled by limited supplies, prices averaged 4 percent higher than in the last quarter. Demand for natural rubber slackened as production in Malaysia and Thailand stepped up and automobile production slowed. Log inventories in South Asia were drawn down during the rainy season, which, along with a 20 percent rise of the royalty on Sarwak logs pushed average prices up 11 percent during the quarter. However, a modest decline of sawn wood prices held the timber price index rise to a 0.8 percent rise.

World Bank

Tea slips.

The metals and minerals price index (excluding steel) fell 3.3 percent during the quarter, with tin the only gainer (a 7.3 percent rise). Aluminum prices remained weak. Although copper prices averaged 1.6 percent lower than last quarter, extremely low copper stocks kept current prices for September 1995 delivery well above prices for delivery in September 1996.

Most fertilizer prices peaked and began to drift down for spring crop planting in the northern hemisphere. Both planting area and fertilizer application are expected to increase next year, keeping cotton prices relatively high. □

☎For more information, *contact Don Mitchell, (202) 473-3862, fax (202) 477-0569.*

# COMMODITY PRICE DATA

| Commodity | Unit | QUARTERLY AVERAGES Oct-Dec 1994 | Jan-March 1994 | January 1995 | MONTHLY AVERAGES April 1995 | May 1995 | June 1995 |
|---|---|---|---|---|---|---|---|
| BEVERAGES | | | | | | | |
| Cocoa | ¢/KG | 142.7 | 148.8 | 144.8 | 146.1 | 144.5 | 143.7 |
| Coffee: Other milds | ¢/KG | 406.6 | 383.5 | 367.4 | 384.5 | 377.0 | 340.6 |
| Robusta | ¢/KG | 332.5 | 303.0 | 304.6 | 319.2 | 310.6 | 284.0 |
| Tea | ¢/KG | 180.6 | 167.7 | 159.4 | 168.2 | 164.7 | 145.4 |
| CEREALS | | | | | | | |
| Grn Sorghum | $/MT | 96.9 | 102.2 | 108.1 | 103.3 | 108.1 | 112.8 |
| Maize | $/MT | 98.1 | 107.8 | 113.7 | 109.3 | 112.0 | 119.9 |
| Wheat: Canada | $/MT | 189.3 | 180.6 | 194.2 | 181.7 | 194.0 | 206.9 |
| *U.S. HRW | $/MT | 164.6 | 153.6 | 159.2 | 148.8 | 158.7 | 170.1 |
| * U.S. SRW | $/MT | 155.7 | 148.6 | 145.8 | 140.7 | 143.3 | 153.5 |
| Rice: Thailand | | | | | | | |
| *5% BOT | $/MT | 297.5 | 283.2 | 298.4 | 285.0 | 289.0 | 321.3 |
| 5% Indicative | $/MT | 262.3 | 281.2 | 298.6 | 281.5 | 291.0 | 323.3 |
| *35% Indicative | $/MT | 236.7 | 253.9 | 270.7 | 253.5 | 262.0 | 296.5 |
| *Al. Special | $/MT | 218.6 | 225.6 | 246.7 | 226.3 | 238.0 | 275.8 |
| MEAT | | | | | | | |
| Beef: U.S. | ¢/KG | 217.2 | 213.1 | 184.1 | 195.0 | 180.8 | 176.3 |
| *Lamb | ¢/KG | 300.0 | 273.0 | 256.6 | 263.2 | 253.4 | 253.3 |
| SUGAR | | | | | | | |
| World | ¢/KG | 30.4 | 32.2 | 30.3 | 30.2 | 29.8 | 30.9 |
| E.U. Domestic | ¢/KG | 65.6 | 66.1 | 70.3 | 70.1 | 70.7 | 70.2 |
| U.S. Domestic | ¢/KG | 48.1 | 49.8 | 51.0 | 50.2 | 50.9 | 51.9 |
| FRUITS | | | | | | | |
| Bananas | $/MT | 386.0 | 445.4 | 382.6 | 385.8 | 393.0 | 368.9 |
| Oranges | $/MT | 332.2 | 406.0 | 590.2 | 556.4 | 561.9 | 652.4 |
| FATS & OILS | | | | | | | |
| Palm Oil | $/MT | 680.7 | 667.7 | 623.0 | 625.0 | 611.0 | 631.0 |
| Coconut Oil | $/MT | 673.0 | 630.0 | 634.3 | 619.0 | 616.0 | 668.0 |
| Groundnut Oil | $/MT | 1046.3 | 1023.0 | 973.0 | 981.0 | 973.0 | 965.0 |
| *Soybean Oil | $/MT | 680.3 | 663.0 | 605.7 | 610.0 | 595.0 | 611.0 |
| Soybeans | $/MT | 236.3 | 242.3 | 250.3 | 249.0 | 250.0 | 252.0 |
| Copra | $/MT | 447.3 | 412.7 | 416.0 | 413.0 | 410.0 | 425.0 |
| Groundnut Meal | $/MT | 155.3 | 167.3 | 156.7 | 165.0 | 155.0 | 150.0 |
| Soybean Meal | $/MT | 176.3 | 181.0 | 180.7 | 181.0 | 181.0 | 180.0 |
| FISHERIES | | | | | | | |
| *Shrimp | ¢/KG | 1358.6 | 1372.9 | 1464.7 | 1441.3 | 1488.1 | n.a. |
| *Fish Meal | $/MT | 403.3 | 439.7 | 450.0 | 447.0 | 436.0 | 467.0 |
| FIBERS | | | | | | | |
| Cotton | ¢/KG | 175.5 | 225.7 | 234.7 | 250.8 | 253.4 | 200.0 |
| Jute | $/MT | 231.3 | 256.7 | 330.2 | 260.0 | 342.5 | 388.0 |
| *Sisal | $/MT | 603.3 | 687.5 | 700.0 | 700.0 | 700.0 | 700.0 |
| *Wool | ¢/KG | 436.4 | 502.8 | 515.9 | 517.8[G] | 514.9 | 505.6 |
| RUBBER | | | | | | | |
| RSS1: Malaysia | ¢/KG | 139.2 | 173.9 | 170.1 | 184.0 | 172.3 | 154.2 |
| *Singapore | ¢/KG | 141.3 | 177.3 | 172.6 | 184.9 | 175.9 | 157.0 |
| *U.S. | ¢/KG | 163.5 | 200.3 | 193.7 | 206.0 | 197.3 | 177.7 |

# COMMODITY PRICE DATA

| Commodity | Unit | QUARTERLY AVERAGES Oct-Dec 1994 | Jan-March 1994 | Apr-June 1995 | MONTHLY AVERAGES April 1995 | May 1995 | June 1995 |
|---|---|---|---|---|---|---|---|
| METALS & MINERALS | | | | | | | |
| Aluminum | $/MT | 1823.0 | 1927.3 | 1797.2 | 1849.0 | 1762.7 | 1780.1 |
| Copper | $/MT | 2778.5 | 2936.9 | 2890.5 | 2903.5 | 2773.3 | 2994.6 |
| Nickel | $/MT | 7620.0 | 8543.3 | 7500.5 | 7397.8 | 7232.2 | 7871.6 |
| Tin | ¢/KG | 586.0 | 573.7 | 615.6 | 587.2 | 592.7 | 667.1 |
| Lead | ¢/KG | 64.8 | 61.1 | 60.8 | 60.8 | 59.7 | 61.8 |
| Zinc | ¢/KG | 110.8 | 107.0 | 103.6 | 106.1 | 103.6 | 101.0 |
| *Gold | $/TOZ | 384.5 | 379.1 | 387.9 | 391.0 | 385.2 | 387.6 |
| *Silver | ¢/TOZ | 513.5 | 470.2 | 547.6 | 552.4 | 555.3 | 535.3 |
| Iron Ore | $/MT | 25.5 | 27.0 | 27.0 | 27.0 | 27.0 | 27.0 |
| Steel: *Rebar | $/MT | 328.3 | 346.7 | 410.0 | 410.0 | 410.0 | 410.0 |
| *Wire Rod | $/MT | 356.7 | 366.7 | 426.7 | 420.0 | 430.0 | 430.0 |
| *HR Coilsheet | $/MT | 410.0 | 416.7 | 453.3 | 440.0 | 450.0 | 470.0 |
| *CR Coilsheet | $/MT | 520.0 | 526.7 | 560.0 | 550.0 | 560.0 | 570.0 |
| ENERGY | | | | | | | |
| Crude Oil: | | | | | | | |
| **Spot, average | $/BBL | 16.5 | 17.2 | 18.1 | 18.6 | 18.4 | 17.4 |
| **Brent | $/BBL | 16.5 | 16.9 | 18.1 | 18.7 | 18.4 | 17.4 |
| **Dubai | $/BBL | 15.3 | 16.4 | 17.0 | 17.4 | 17.3 | 16.2 |
| **West Texas Int | $/BBL | 17.6 | 18.2 | 19.3 | 19.9 | 19.6 | 18.5 |
| Coal: | | | | | | | |
| *Australia | $/MT | 34.1 | 37.7 | 38.9 | 37.1 | 38.8 | 40.8 |
| *U.S. | $/MT | 37.0 | 41.2 | 40.5 | 41.5 | 40.0 | 40.0 |
| Natural Gas: *Europe | $/MMBTU | 2.6 | 2.7 | 2.7 | 2.7 | 2.7 | 2.7 |
| *U.S. | $/MMBTU | 1.6 | 1.5 | 1.6 | 1.6 | 1.6 | 1.6 |
| TIMBER | | | | | | | |
| Logs: *Cameroon | $/CUM | 349.2 | 340.7 | 345.8 | 350.6 | 341.0 | 345.8 |
| Malaysia | $/CUM | 273.0 | 261.1 | 290.4 | 300.9 | 289.7 | 280.6 |
| Sawnwood:*Ghana | $/CUM | 654.1 | 651.1 | 648.7 | 653.1 | 645.5 | 647.7 |
| *Malaysia | $/CUM | 792.2 | 753.5 | 746.9 | 730.8 | 750.8 | 759.1 |
| *Plywood | ¢/SH | 560.2 | 602.2 | 642.5 | 665.1 | 635.4 | 627.0 |
| *Woodpulp | $/MT | 679.9 | 736.3 | 809.3 | 813.0 | 807.5 | 807.5 |
| FERTILIZERS | | | | | | | |
| Phosphate Rock | $/MT | 33.0 | 35.0 | 35.0 | 35.0 | 35.0 | 35.0 |
| *DAP | $/MT | 181.6 | 215.0 | 196.8 | 205.9 | 192.7 | 191.9 |
| *Potassium Chloride | $/MT | 110.1 | 114.8 | 118.3 | 117.5 | 118.5 | 119.0 |
| *TSP | $/MT | 138.2 | 145.8 | 147.5 | 147.5 | 147.5 | 147.5 |
| *Urea | $/MT | 183.7 | 224.3 | 195.3 | 212.0[E] | 194.0[E] | 180.0[E] |
| SELECTED PRICE INDICES (1990=100) | | | | | | | |
| Agriculture | | 133.3 | 136.4 | 134.9 | 137.5 | 136.4 | 130.8 |
| Fats and Oils | | 135.9 | 135.1 | 131.1 | 131.0 | 129.6 | 132.6 |
| Other Food | | 95.3 | 100.4 | 98.7 | 98.7 | 98.2 | 99.3 |
| Agri. Timber | | 149.3 | 142.1 | 143.2 | 141.4 | 143.8 | 144.5 |
| Metals and Minerals (excl. steel) | | 98.5 | 103.6 | 100.2 | 101.0 | 97.7 | 101.9 |
| Steel Products | | 94.6 | 98.4 | 109.8 | 107.6 | 109.6 | 112.3 |
| Non-fuel commodities (excl. steel) | | 122.5 | 126.3 | 124.2 | 126.3 | 124.6 | 121.9 |

A = not available B = no quotation E = Estimate G = Average for less than period indicates.
$ = U.S. dollar; kg=Kilogram; mt=metric ton; toz=troy oz; bbl=barrel; cum=cubic meter; mmbtu=million British thermal units. *= Not included in index; ** = included in the petroleum index, but not in the non-fuel index. Journalists may obtain more detailed information about commodities by writing to the World Bank, Commodity Policy and Analysis Unit, Room R2-072, Washington, D.C. 20433. tel. (202) 473-3862, fax (202) 477-0569.

## DEVELOPMENT AGENDA

| Date | Event | Sponsor | Location | Telephone |
|---|---|---|---|---|
| **SEPTEMBER** | | | | |
| 4-15 | Beijing Women's Conference | United Nations | Beijing | (202)473-3796* |
| 6-7 | Macedonia Consultative Group | World Bank | Paris | (33-1)4069-3016 |
| 11-12 | Eighteenth Meeting of the Executive Board | Common Fund for Commodities | Amsterdam | (31)20 664-6409 |
| 17 | Status and Prospect of Science and Education in Africa | Third World Academy of Science | Abuja, Nigeria | (202) 473-4128* |
| 22 | Europe/East Asia Economic Summit: East Asia: What Will Sustain Growth | World Economic Forum | Singapore | (202) 473-2763* |
| 27 | 1995 Philippine Economic Summit: Europe/East Asia Economic Summit | World Economic Forum | Manila | (202) 458-0344 |
| **OCTOBER** | | | | |
| 2 | Ministerial Conference on West Bank | European Union | Madrid | (202)473-2318* |
| 4-6 | Fourth Annual World Economic Development Congress | World Congress, Inc. | Washington | (617) 270-6204* (fax number) |
| 6-9 | World Bank Country and Thematic Seminars | World Bank | Washington | (202)473-1792* |
| 10-12 | Bank/Fund Annual Meetings | World Bank/IMF | Washington | |
| 30-Nov. 3 | International Centers Week: Consultative Group on International Agricultural Research | CGIAR | Washington | (202)473-8913 |
| **NOVEMBER** | | | | |
| 12-15 | Conference on Health Reform Around the Globe | Canadian Society for Int'l Development | Ottawa | (613) 230-2654 |

**Editor's Note**: *Development Agenda* is a feature that alerts journalists to key news events in the field of economic development. Journalists should contact sponsoring agencies for details about each event. Asterisk (*) indicates telephone number is in the U.S.A. All other telephone numbers include country and city codes.

# Study Sees Stable Oil Prices Through 2010

OIL, *from page 2*

tion will still amount to 48 mb/d out of a total 88.1 mb/d.

As with any forecast, there are uncertainties and risks to be considered. The first is the threat of another crisis or war in the Gulf and the vulnerability of secure oil supplies in the region, which has enormous reserves. There have been three major price shocks and two wars in the last 20 years, there are many threats of political instability and there is great uncertainty over the succession of regimes in several countries (including outside the Gulf, in Nigeria and Algeria). But the forecast assumes that any future price shocks in oil markets will be short-lived and that prices will eventually revert to pre-crisis levels.

OPEC behavior is another uncertainty, with many forecasters predicting that the organization will be incapable or unwilling to maintain supply capacity, leading to sustained price hikes. But given current production development plans within OPEC and the fact that many countries are inviting back oil companies to develop new fields, the study asserts, there is "little evidence" that OPEC truly intends to allow surplus capacity to be exhausted.

The other main uncertainty surrounds future developments in the former Soviet Union, which has the potential for substantial oil production increases but enormous political, economic and legal problems to overcome. "It is possible that net exports from the region will fall short if a number of these issues are not resolved satisfactorily," the report warns. "On the supply side, it's hard to say what will happen in the absence of a satisfactory legal framework, which would be required to generate large investments in the FSU," Streifel says.

The report concludes that the relative balance of the global oil markets may not change over the next several years and, while "a number of the risks point to higher oil prices, there is a large possibility that real oil prices could continue to drift lower over the next decade." □

☎For copies of the report, *contact the Bookstore, tel. at (202) 473-5545, fax (202) 477-0604.*

## Congo Reforms Move Forward

Congo, seeking to re-establish credibility after last year's currency devaluation, has made satisfactory progress in reducing the financial drain on the state by public-owned enterprises and utilities. And the government has established the institutional and policy framework for large-scale privatization and has invited private investment bankers and consultants to participate. A new $9 million International Development Association credit, approved September 5, will back the second phase of Congo's reform plan. The concessional loan will help Congo prepare regulations for five major public enterprises in oil distribution, transportation, telecommunications, power and water distribution. It will help privatize these companies and gradually open the sectors to competition, and it will also help liquidate other non-viable state-owned enterprises.

☎For more information, *contact Eric Chinje at (202) 473-4467, or fax 473-7917.*

# Defining the Cost of Pollution in East Asia

EAST ASIA, *from page 1*

erty rights—that will encourage industries to adopt cleaner technologies, abatement methods and improved techniques. Charging polluters for their environmental damage would also make environmental enforcement an important source of government revenue, rather than a drain. The new funds, only a small portion of which would be needed for environmental clean-up and protection, could be used to offset other taxes. Public sector projects, too—such as roads and power plants—should take environmental costs into account.

In some respects, East Asia has done more than other regions to address environmental damage, but its problems are becoming more severe. Many countries in the region have some of the highest population densities in the world, and the environmental problems created by industrialization (such as hazardous wastes and vehicles emissions) come on top of more "traditional" causes of environmental damage in the area, such as poor sanitation.

The report cites the threats posed by air and water pollution, soil contamination, destruction of forests and other natural habitats, soil erosion and salinization. "If these environmental threats are ignored, the damage that results could reverse the welfare gains that have come with rising incomes," the report says.

In support of the market-based approach, the Bank suggests setting priorities, simplifying policies and strengthening institutions to make them more effective policy makers and enforcers. □

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WORLD BANK NEWS

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